

30 September 1987

MEMORANDUM FOR: Executive Director

FROM: Daniel A. Childs, Jr.  
Comptroller

SUBJECT: Human Resources Modernization and Compensation Report

25X1 1. Over the past few weeks, we have studied the report of the Human  
25X1 Resources Modernization and Compensation Task Force. The personal views of  
members of the Office have been sent to [redacted] For the most part, those  
views reflect considerable skepticism that the proposed changes address in any  
meaningful way the problems identified with the General Schedule. [redacted]

2. This memorandum deals exclusively with the costs of the proposals  
included in the Task Force report. My basic position can be summarized as  
follows:

-- Many of the proposals are inexact, thus making it very difficult to  
assess costs. Potential use of one feature--Workforce Control--is so  
uncertain that even the Task Force did not attempt to assess a cost.  
In recent years, Agency estimates of the increased cost of additional  
employment benefits and compensation have been understated by as much  
as 50 to 100 percent. I believe that similar errors are likely in  
the Task Force's cost estimates. Memoranda of conversations between  
OP and OPM, provided to us by OP, indicate OPM's skepticism about  
estimated program costs. Moreover, calculations done in the DI  
STAT suggest that the Task Force's proposals will cost between [redacted]  
STAT of personal services rather than [redacted] displayed in  
the classified annex to the Human Resources Modernization and  
Compensation Report.

-- The proposal does not deal in any meaningful way with outyear costs.  
Assumed costs are held constant for six proposed features, end for  
seven others, and increase for only two after full program  
implementation. It is not clear why, for example, Incentive Pay  
stabilizes while Management/Expert Incentives and SIS Bonuses  
increase. Given limited rationale for the outyear estimates, I place  
little credence in them.

STAT -- As reflected in Table 1, [redacted] annually will be needed to  
STAT administer the system. In addition, the classified annex mentions a  
25X1 [redacted] cost to upgrade and consolidate the personnel and

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STAT payroll systems (following on [ ] that we have just  
STAT invested to redesign and rewrite the existing payroll system). These  
extra costs for personnel/payroll systems are not included in the  
[ ] stated annual price for the new compensation system  
and will have an important impact on costs to implement.

-- Conversations with OP suggest that the introduction of a flexible  
STAT benefits system will increase Agency costs beyond those included in  
the Task Force report. For example, [ ] annually will  
25X1 be needed to fund benefits for employees (typically spouses) who are  
now covered under other family members plans, but who would receive  
their own benefit credits under a flexible benefits plan. [ ]

STAT 3. The bottom line, I believe, is that we may be asked to adopt a system  
that may cost [ ] per year (rather than the [ ] annual  
figure portrayed in the Task Force report). Assuming that we receive approval  
from OMB and our congressional committees to proceed, all costs--beyond the  
1 percent annual increase in personal services that we are now permitted to  
25X1 budget--will come at the expense of our substantive programs. I urge the  
members of the Executive Committee to keep this in mind as deliberations  
proceed. [ ]

25X1 4. I will be pleased to discuss these conclusions further at your  
25X1 convenience. [ ]

[ ]  
Daniel A. Childs, Jr.

Attachment

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